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Why OPEC Gets Stronger, Richer
Survey Shows Jobbers Still Doing Well
What's Ahead For West Coast Crude Supply

NPN

National Petroleum News

Truckstops: Why The Building Boom Is Slowing Nationally

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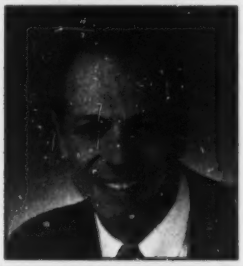

Editor's Viewpoint

The criminal indictment of Exxon a few months ago on two felony and three misdemeanor counts for the Exxon Valdez oil spill would be laughable if it weren't so stupid and pathetic. What next? Does Exxon's board of directors face a firing squad? Is chairman Lawrence Rawls sentenced to 300 years on a chain gang spit shining rocks on the Alaska coast? The Valdez spill was a tragic mishap with awful environmental consequences. But a criminal indictment just is not warranted. The spill wasn't intentional. It was not a willful, malicious act. The indictment is an unfounded, spiteful overreaction.

Should Exxon be held accountable? Yes. Should it pay a price? Yes. But how much? The company says it has already shelled out more than $2-billion in cleanup costs and $180-million in claims. Cleanup operations will continue this year and cost even more.

And it's paid another price. Its public image was shattered. Once ranked high among corporations demonstrating civic and environmental responsibility, it plummeted to the opposite end. If you think that doesn't bother Exxon, think again. A generation may pass before the company regains its prior stature.

That too is undeserved, stemming mainly from generally unfair media coverage. I've criticized Exxon for bungling the public relations on the Valdez incident. But that doesn't account for the drubbing it took from the media, which for the most part focused almost entirely on the negatives and very little on the massive and effective cleanup operation Exxon launched. Even Secretary of Energy James Watkins said at API's last annual meeting that "Exxon...did not get the credit it deserves for the job." He added that he didn't think the "federal government could have marshalled the forces as quickly and effectively as your industry did." That's for sure. If the bureaucrats who were so quick to condemn and indict Exxon had been in charge, they'd still be looking for the damn spill—probably in Idaho.

Despite all this, Exxon still gets slapped with criminal indictments. It's like a man who's been flogged into unconsciousness, dunked like a Salem witch and then gets sentenced to five years in the electric chair. One reason is clear to me: If any company represents "Big Bad Oil," it's Exxon. And the spill gave the blustering politicians and pompous bureaucrats a chance to flex their muscles for those Looney-Toons, Chicken Little environmental extremists.

The affair has been taken out of the realm of reason and reality and into some surrealistic zone of irrationality. Franz Kafka, where are you now?

—Frank M. Victoria

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NATIONAL PETROLEUM NEWS

14 Regional News

14 **Midwest**
Sierra Club attacks Missouri billboards

15 **South**
Texas marketers may get separate third-party coverage

17 **East**
Oil spills, wildlife collide head-on in East

18 **West**
Outlook for West Coast crude supply through 2000

21 General News

21 Federal gasoline tax hike unlikely in new plan

21 API reports drop in costs per miles traveled

21 C-Store image not so bad, survey says

22 Is Virginia franchise bill first of many in 1990?

22 Illinois intervenes in ethanol antitrust lawsuit

23 Petrocredit to be new universal credit card

23 Canadian pump prices now 60% higher than U.S.

24 Aboveground tank owners waiting for second shoe to drop

24 Verifone to test fast credit authorization system

24 Credit execs discuss service standardization

25 Clean air could exact heavy tolls on jobs

25 PMAA endorses ethics code

25 BP gets high marks for oil spill clean up

25 Proposed bill could encourage exploration, production

25 OPEC sees need for more production

30 Features

30 **Cover Report**
Why truckstop boom is spreading nationally

38 **Marketing**
Survey shows small jobbers doing better than expected

46 **Marketing**
Why OPEC seems destined to get stronger and richer

71 **Buyer's Guide Update**

74 **Tax Corner—Irving Blackman**
Transferring your business by gifts

76 **Legal Tips—Sam Borenkind**
Updated credit reg helps business

Departments

56 About Oil People

7 Ahead of the News

67 Briefs

9 Catching Up

80 Classified

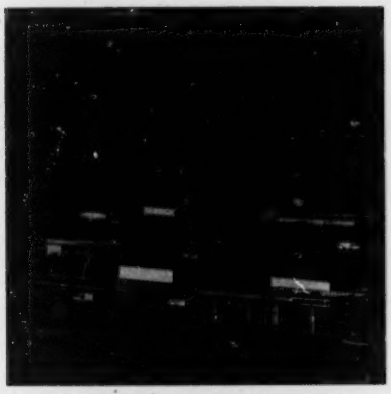
72 Coming Meetings

3 Editor's Viewpoint

10 Marketplace

51 Product Showcase

10 Trends

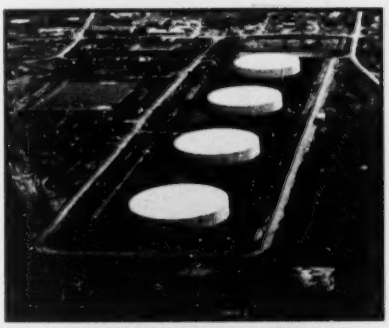


Another cycle of truckstop expansion is underway, with independent marketers setting the pace with sizable investments in bigger, more complex travel centers. A few of the majors are increasing market share, too.

Page 30

Is the small petroleum marketer kaput? Not according to an independent random survey done for *NPN*. Survey results show clearly that there are plenty of small jobbers plying their trade in the industry. Plenty of statistical data is included in this marketer profile.

Page 38



The future looks bright for OPEC for the next 10-15 years at least. Not only does the 13-member cartel have a lock on crude reserves and production, it looks like it'll be taking a bigger role in the product markets, too.

Page 46

• TRENDS

Recent Events Show Plight Of C-Store Chains

With two of its largest and best-known companies (Southland Corp. and Circle K) in deep financial trouble, speculation is rising that the convenience store industry could be headed for a shakeout greater than what it is already experiencing, on the scale perhaps of what happened to neighborhood service stations not long ago.

High debt burdens and the collapse of the "junk bond" market were being given as the primary reasons for the financial problems at Southland and Circle K.

To a large degree, however, these companies' financial woes underscore the impact that fast-changing trends are having on the convenience store industry. Each company had projected, when they incurred their huge debt loads a few years back, that they would be getting much higher cash flows from their C-store chains than they are.

Southland says an "unprecedented level" of competition in the C-store business caused the shortfall in its cash-flow projections made four years ago for its 7-Eleven stores. Circle K blames both intense store competition and internal management problems for its troubles.

Other sources say the C-store industry, in general, is facing many problems nowadays with store sales, on average, generally flat due to a saturated market and changing consumer purchasing habits. In addition, stores that sell gasoline are saddled with the same high costs of upgrading storage tanks as gasoline marketers.

Quite a few store chains smaller than Southland and Circle K, some sources believe, are also highly leveraged and face cash-flow problems. Some of these are still in debt from buying up old service stations (along with their old tanks) and remodeling them into stores. It's believed that many of these units are now in trouble.

"We know of some small-store chains that are making like $12,000 a year out of their units," says an oil industry source. "They are having to service their debt out of that and they haven't even faced the tank cleanup costs yet. There's no way they can survive."

At the same time that the number of C-stores has been increasing, some of traditional grocery chain operations have scrambled, nibbling the little stores of the "convenience" niche they once held. Many large supermarkets are now open longer hours, offer a wide variety of merchandise in addition to grocery items, often have fresh "deli-type" prepared foods and express checkout lanes. Shoppers increasingly are bypassing the smaller stores with their traditional "high-price" image on their way to the larger ones.

In addition, independent gasoline chain retailers with their usually prime locations and low-price, high-volume" concept of marketing, have been making inroads on the more traditional-type C-stores. Some of these have pioneered high markup fast-food deli operations, giving them three profit centers instead of just two (groceries and gasoline).

As some sources see the situation, the small traditional-type C-store is now caught in a vise between the supermarkets and the "low-price, high-volume" gasoline independents. Such traditional small stores can no longer command high markups for "convenience," as in the past, and the larger stores and the independents won't let them have higher sales volumes to offset lower markups.

One large, successful "low-price, high-volume" gasoline independent gives an example of the competition traditional C-stores now face from its of operations.

In the early 1980s, this company found that it could get a 20% or better annual return on units that averaged 150,000 gal. in gasoline and $30,000 in store sales per month. It now needs between 200,000 and 400,000 gal. of gasoline and $60,000-plus store sales due to higher per-unit investments and operating costs. In addition, it's heavily into fast-food operations, depending on its relatively high markups to increase overall in-store profits.

Some sources believe it's just as tough now for small, traditional-type C-stores to compete with such competition as it is for neighborhood-type service stations.

—Marvin Reid

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

February	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$1.086	$1.011	$1.037	$1.227
Regions				
Northeast	1.121	1.099	1.046	1.259
North Central	1.075	1.032	1.039	1.240
South	1.102	1.082	1.041	1.208
West	1.045	0.974	1.018	1.214

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (As of 000 bbl.)

	3/30/90	3/31/89
Gasoline (Total)	229,283	231,781
Gasoline (Unleaded)*	172,162	159,150
Jet Kerosene	40,855	36,826
Distillate	106,781	95,389
Residual	44,118	40,832

*Included in gasoline total.

Source: American Petroleum Institute.

would go into their shops and say, 'We've been looking over your books and you owe us $65,000 in taxes for the past three years.' After they picked the guy off the floor, they'd say, 'Don't worry about it. We can take care of it.'"

Jermyn says the bribes that came range from $500 to $4,000—depending upon the gullibility of the owner in question and his eagerness to avoid potential tax problems.

Tax officials say they had videotaped some of the payoffs. They also say that in the home of one of the alleged extorters they confiscated crack pipes, crack and marijuana.

Canadian Gas Plans For Northeast Snafued

Iroquois Pipeline's plan to import Canadian natural gas into the marketplaces of the Northeast may have been hung badly by a Canadian Court ruling that requires a fresh look at fee structures.

Canada's National Energy Board was instructed to assess the Trans-Canada Pipeline Project's "rolled-in" method of applying tolls when it considers an application from the Toronto utility.

The mandate was handed down after the Industrial Gas Users Assn. complained that the rate structure would unfairly pass the expansions cost on to them. NPN

What Crude Supply Looks Like For The West Coast To 2,000

With all of the uncertainties hanging over the possibility of discovering new oil fields on the West Coast, one certainty stands out—the amount of crude oil now known or expected to be produced is all there is.

In a general way, it's known that Alaskan North Slope (ANS) and California onshore (including tidelands) production is declining and will continue to do so indefinitely, and that production on federal outer continental shelf (OCS) lands off California is increasing. But what are the dimensions of each, and what will the supply picture be in the year 2000?

California oil production was running more than 1,100,000 b/d as recently as 1985, but when crude oil prices plummeted in early 1986, production fell rapidly as producers shut down marginal wells. It's currently running around 985,000 b/d.

Alaska North Slope production is flowing through the pipeline and out of Valdez at the rate of 1,850,000 b/d.

Production on federal OCS lands off California is running 85,000 b/d.

There's a bit of other regional domestic production available, but these three sources are the largest by far. They amount to a total of 2,920,000 b/d.

ANS crude represents 63% of this West Coast oil production, California onshore 34%, and California offshore 3%.

What will the picture look like in the year 2000?

Although no studies have been made public recently on the anticipated rate of decline of California onshore production, some industry sources expect production to be about 800,000 b/d at the turn of the century. Credit the sustained level to intensive secondary and tertiary recovery.

ANS production is expected to decline to 705,000 b/d, according to the Alaska Dept. of Natural Resources in a March report.

A new study by the Interior Dept.'s Minerals Management Service (MMS), Pacific OCS Region, says California offshore production will peak in 1999 at 198,000 b/d, declining to 184,000 b/d in the year 2000.

Production from these three sources total 1,689,000 b/d. This is a 58% decline in production in a decade. ANS crude at that time will represent 42% of this West Coast oil production, California onshore 47%, and California offshore 11%. Thus California would again become the major source of regional crude.

These projections—not to be presumed exact—are all contingent on there being no new discoveries. Such an assumption appears sound for 1990, given the public mood, but a lot could happen by 2000. Any supply emergency in the world might get people thinking.

Exploration in the Pacific Coast region is weak, with little prospect of changing soon. Onshore oil exploration is almost nonexistent.

New leasing offshore on federal lands is on hold indefinitely and in the lap of politics, including the President's, putting them beyond surmise. Exploration in the Alaska National Wildlife Refuge (ANWR), potentially the best prospect in the country, seems highly unlikely in the wake of the Alaska oil spill.

As for offshore California production, more is ready to go, but hung up. After years of foot-dragging, Santa Barbara County is in what appears to be the last ditch, refusing to permit tankering of Pt. Arguello crude to Los Angeles refineries. Something would have to give, but in what direction nobody knows.

Chevron and its 17 partners have spent $2-billion developing the Pt. Arguello field, but they have not yet been allowed to ship a barrel. MMS projections assume some of this production will begin this year. The oil companies want to begin tankering 50,000-70,000 b/d by midyear. MMS will not say how much of this production they worked into their projections, although it's a lesser amount than that.

Despite the many imponderables, Pacific Coast oil production will soon be on an inexorable decline—barring new discoveries. Regional crude supply will fall farther behind demand.

In the course of the 1990s, ANS crude will become considerably less important, although will still be formidable. OCS crude will become more important, but still be minor. California production will gain in relative importance.

Perhaps more significantly, a region that has been endowed with superabundant domestic oil supplies for more than a decade will have to increase its foreign imports substantially. Barring another major discovery, PAD District 5 will begin to look pretty much like the rest of the United States.

Chevron Decides To Stay In Alaska

After actively trying to sell all of its refining, marketing and pipeline businesses in Alaska for several months, Chevron USA did an about face this past March and decided to continue full operations there. The company has been operating in Alaska for more than a century.

Chevron couldn't get the price it wanted, sources say. Says Dave Hoyer, senior vice president, "The Alaskan operations are profitable, and we believe they have synergies that make them more valuable to us than anyone else." That's what the bargaining apparently demonstrated.

Chevron's Alaskan operations consist of:

- A refinery at Nikiski that processes 18,000 b/d of crude oil, making jet fuel, diesel fuel and asphalt.
- Seventeen company-owned service stations, 15 of which are leased by independent dealers.

- Jobber supply contracts in Alaska.
- Two Anchorage storage terminals for light products and asphalt.
- Half ownership of the Kenai Pipeline, which operates 23 miles of crude oil pipelines.

Where Arco Stands If Tosco Sells Out

Tosco reported in February that it continued to talk actively with several multinational firms for the sale of the company or its refinery in Avon, Calif., and that it did not expect to make further announcements on its progress "until some time in the second quarter," that is, April, May or June.

A data room had been established in the offices of Bear Stearns in Los Angeles, and "some visits have already occurred, others are scheduled, and discussions with various parties are continuing," explains Thomas D. O'Malley, CEO and president. O'Malley represents the group of investors who gained control of Tosco through stock purchases.

With speculation rampant on who the interested buyers might be [*NPN*—Jan., p14], interest also turned to Tosco's long-term exchange agreement with Arco, which the major supplies 50,000 b/d of Alaskan crude oil to the 125,000 b/d Avon refinery in exchange for an equivalent amount of gasoline.

The agreement, signed Oct. 2, 1986, gives Arco rights to the refinery. Here's what the contract says about that:

"If, at any time or from time to time, Tosco wishes to sell the Avon refinery and associated operations or any material part thereof, Tosco shall first offer to Arco, by a written offer setting forth the price and terms and conditions of sale, the interest offered for sale. Arco shall have 90 days in which to accept the offer. If Arco does not accept the offer, Tosco, for period of 180 days, shall be free to offer that interest for sale to others at a price and on terms, considered together, no less favorable to Tosco than as offered to Arco. Throughout such 180 day period, Tosco shall provide Arco information concerning all other bids and bidders and a continuing opportunity to submit a favorable bid in competition with all other bidders. Tosco shall sell the Avon refinery to Arco if Arco's bid provides a then present value at least one hundred thousand dollars higher than the then present value of the highest other bid. In any event Tosco shall not sell the Avon refinery and associated operations or any material part thereof to a third party until Arco has had a reasonable opportunity to present a higher bid and has failed to do so. Tosco shall have the right to reject, without limitation, all offers received."

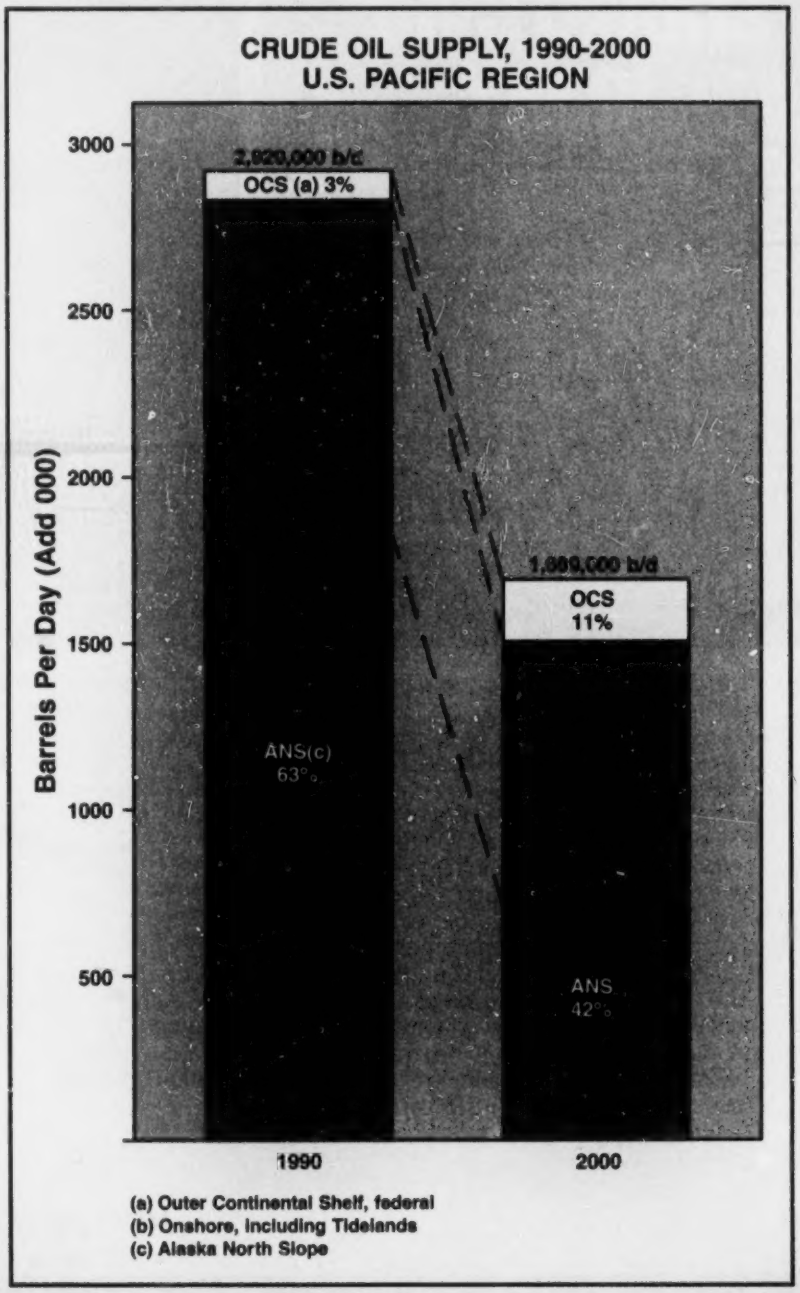
The long-term exchange agreement—crude for gasoline—would still stand, according to the contract. Tosco has the right to assign the exchange to a buyer of the refiner, "subject to Arco's consent, which consent shall not be unreasonably withheld." Tosco can terminate the agreement if Arco unreasonably withholds its consent, whatever that might be.

The term of the contract was 10 years, 1986 to 1996, with two 5-year options exercisable solely by Arco. That would potentially extend the agreement to 2006.

On the assumption that the controlling investors purchased Tosco shares on speculation, not to operate the refinery, there was a strong likelihood that the sale would take place, provided that Tosco was willing to offer the refinery or the company at a price that some other company was willing to pay. That reportedly was a hangup to some.

If negotiations arrived at an acceptable offer, Arco would be given an opportunity to buy the refinery. In fact, it could be that an offer has already been made and accepted by Tosco, in which case, according to terms of the contract, Arco has been informed of all bids and bidders and could be considering making what would have to be the winning offer if it exceeded the bid by $100,000. This premium would be a pittance in a sale that could amount to close to $1-billion.

There would still be a question of whether the California attorney general, Federal Trade Commission, U.S. Justice Dept., or any other agency would permit the sale of the largest independent refinery in the region to a major oil company—any major oil company.



Canadian Retail Gasoline Pump Prices Are Now 60% Higher Than United States

Retail postings for gasoline have been on the upswing for both the United States and Canada, but Canadian pump prices increased at a faster rate last year than in the U.S.

According to the February 1990 Petroleum Product Market Report published by Energy, Mines and Resources Canada (EMR), the typical Canadian motorist paid an average of about $1.73/ (U.S. dollars) for a gallon of gasoline in January 1990. That's about 65/¢ or 60% higher than the price paid per gallon by American motorists in 1989 (see bar chart). The figures represent major city averages for all grades and type of service in both countries.

The spread between Canadian and U.S. pump prices jumped by 12.2¢/gal. last year, with a big chunk of the increase derived from a boost in federal and provincial sales taxes of 2.65¢/gal. and an increase of 3.2¢/gal. in excise taxes for unleaded grade gasolines and 6.4¢/gal. for leaded fuel.

Three-quarters (76%) of the price differential between Canada and the U.S. is attributable to the higher Canadian taxes. Taxes now account for an average of 71.3¢ of every gallon sold.

It was not always thus. In a separate report, "1980s: The Decade In Review," EMR points out that Canadian gasoline prices were actually lower in 1979 than in the U.S. By the end of 1989, however, the average Canandian price exceeded the U.S. prices by 60%, and the gap was the widest of the decade. The major cause: Between 1979 and 1989, Canadian provincial and federal fuel taxes rose almost four times as fast as in the U.S.

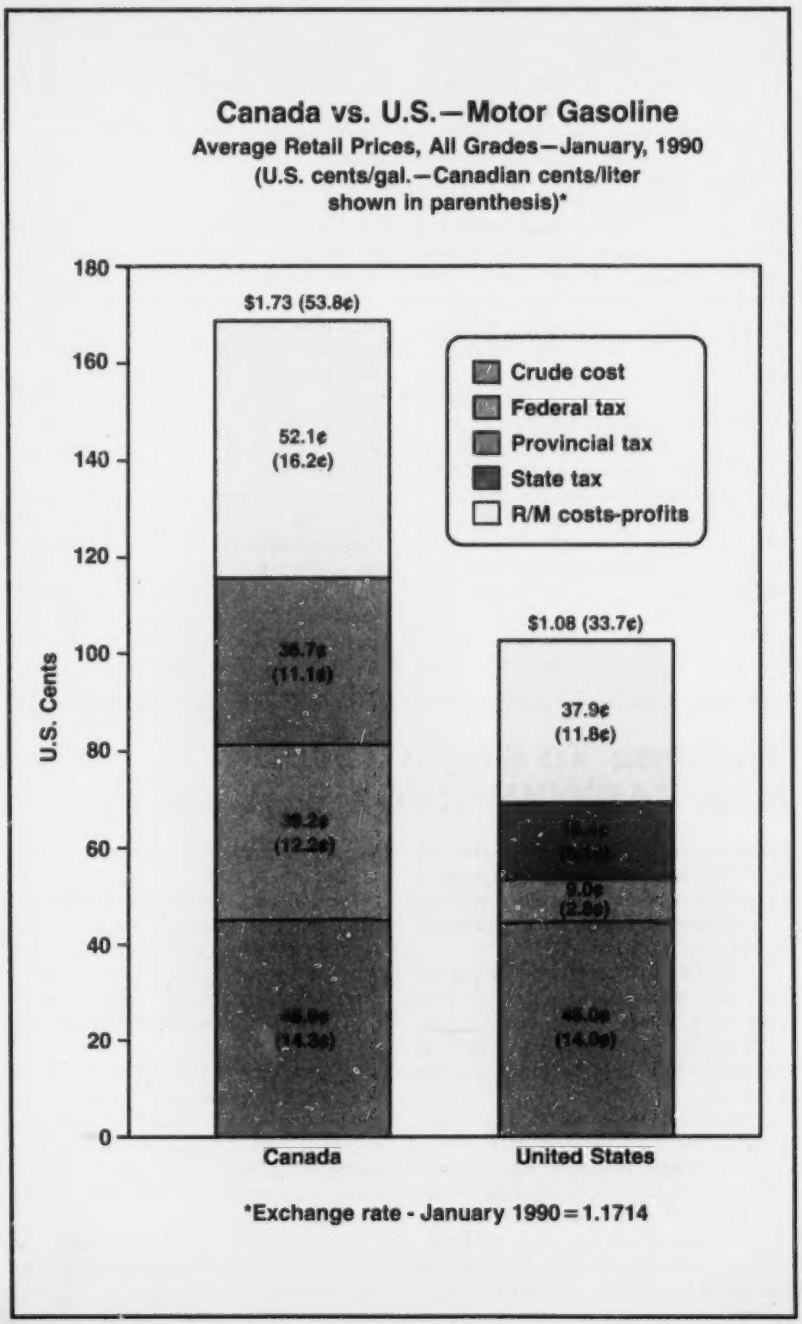
Another interesting comparison between the two countries are the disparities between full and self service prices. In the U.S., the average spread between full and self service is 29¢/gal. In Canada, however, the difference is on 3.2¢/gal. This would help explain why almost 50% of Canadians patronize full service pumps, compared to only 20% in the U.S.

EMR's review of developments in the 1980s showed that the total number of outlets in Canada's 10 major centers declined by only 3.4% during the decade and actually increased by a total of 3% over the last three years. This increase coincided with a growth in gasoline demand during the period.

A major shift has also taken place in the retail outlet market share, EMR reports. While major refiners reduced their outlets by 12% over the 10-year period, independent marketers increased their number of stations by 54%. As a result, the independent's outlet share grew from 13% in 1979 to 20% in 1989.

The self serve outlet population is also growing in Canada, from less than 30% of total outlets in 1979 to 41% in the 10 major centers in 1989. The majors have led the conversion to self service, with over 50% of their outlets in that category. Independent marketers, on the other hand, have been slow to convert and only 18% of their outlets are now self serve.

"One of the marketing strategies often used by independents is to offer full serve gasoline at a price slightly below the self serve price of refiner-branded stations," EMR reports. "Many of the new outlets opened by the independent sector in recent years have offered full service."



Survey Indicates Jobbers, Especially Small Ones, Doing Better Than Expected

The death of small jobbers during the industry's traumatic shakeout of the 1980s, widely predicted by some industry experts, didn't materialize. In fact, according to a survey done for *NPN*, the little guys still far outnumber the big ones.

The independent random survey of jobber and convenience store operators who subscribe to *NPN*, done by Com-Sci Systems, Inc., Northfield, Ill., indicates that a large number of the survivors of the 1980s currently sell less than 1-million gal. of gasoline per month. Breaking it down further, a whopping 53.2% sell 500,000 gal. or less.

It must be stated at the outset that *NPN* editors question some of the results of the survey, which is based on 274 questionnaires returned from a mailing of 2,000. The survey indicates, for instance, that an inordinately high number of jobbers sell heating oil.

After working through the data and weeding out questionable material (or identifying any which appears in this article), however, the results are believed to provide a reasonably good representation of the current jobber/C-store market.

(The Editors, by the way, thank all respondents the for the time they took to fill out the lengthy questionnaire used in this survey. Your help and courtesy were valuable and appreciated.)

Little guys hanging in

A total of 263 jobbers and C-store operators returning questionnaires responded to survey questions about their gasoline sales. Of these, 70.3% say their monthly gasoline gallonage is 1-million gal. or less. Some 20.5% say they sell between 1-million and 2.5-million gal./mo., and the relatively small remainder report sales in excess of 2.5-million gal./mo. (see Table 1).

This runs counter to predictions that were being made during the 1980s when the oil refining and marketing industry was undergoing tremendous shrinkage.

At that time, some refiner/supplier executives were saying they couldn't see a place in their distributor networks for wholesale distributors buying below 6-million gal./yr. Some of these executives considered those

Table 1—Average Monthly Gallonage-1989

GASOLINE		DIESEL	
All Respondents	263	All Respondents	258
	100.0%		100.0%
Respondents Doing (Gal./yr.):		Respondents Doing (Gal./yr.):	
Under 500,000	53.2%	Under 500,000	74.0%
500,000-749,999	11.0	500,000-749,999	14.0
750,000-999,999	6.1	750,000-999,999	1.2
1,000,000-1,249,999	8.7	1,000,000-1,249,999	2.7
1,250,000-1,499,999	4.6	1,250,000-1,499,999	2.3
1,500,000-1,999,999	3.8	1,500,000-1,999,999	0.8
2,000,000-2,499,999	3.4	2,000,000-2,499,999	1.2
2,500,000 or more	9.1	2,500,000 or more	3.9

Table 2—Gallonage Projections-Gasoline

1990	Increase	Decrease	Same
All Respondents (259)	46	5	208
(100.0%)	17.8%	1.9%	80.3%
Respondents Doing (Gal./yr.):			
Under 500,000	6.5%	—	93.5%
500,000-749,999	21.4	7.1%	71.4
750,000-999,999	37.5	—	62.5
$1M-$1.24M	63.6	—	36.4
$1.25M-$1.49M	50.0	—	50.0
$1.5M-$1.9M	40.0	—	60.0
$2M-$2.49M	11.1	22.2	66.7
$2.5M and over	—	4.2	95.8

1991	Increase	Decrease	Same
All Respondents (245)	85	5	155
(100.0%)	34.7%	2.0%	63.3%
Respondents Doing (Gal./yr.):			
Under 500,000	16.9%	—	83.1%
500,000-749,999	53.8	7.7%	38.5
750,000-999,999	62.5	6.3	31.3
$1M-$1.24M	81.0	4.8	14.3
$1.25M-$1.49M	72.7	—	27.3
$1.5M-$1.9M	100.0	—	—
$2M-$2.49M	57.1	—	42.9
$2.5M and over	—	4.2	95.8

Gasoline and diesel sales are holding up and for the most part jobbers, including smaller ones, are relatively optimistic about maintaining or increasing those sales in the next few years. Margins aren't bad either, with almost half of the responding jobbers saying they get between 6¢ to 10¢/gal. on gasoline.

distributor customers buying and selling under 12-million gal. annually borderline.

Many of the "little guys," though, are apparently showing the same traditional toughness and tenacity that has helped them survive less chaotic changes than the 1980s brought.

While many did sell out or merge or simply go out of business in the past decade, this survey indicates that small jobbers still comprise the majority of the estimated 14,000 still in business.

And, the way things are now shaping up, it could be that many of those still around have a good chance to survive what promises to be another big shakeout during the 1990s.

The vast majority are believed to be located in small rural areas, away from the larger and highly competitive markets that the majors and large chains are fighting over.

Two current situations seem to favor those small jobbers still in business:

- The contraction of the 1980s has reduced competition in their small markets, providing in some cases for higher profit-margins.
- The gallonage potential, generally speaking, is insufficient to attract either major or chain direct-retail operations.

While they must cope with the high costs of underground storage tank and vapor recovery regulations [*NPN*—Feb. '90 p35], a plus for many is the fact their retail outlets are often debt-free. Some larger but debt-burdened chains, on the other hand, could be hard-pressed to cover such extra costs.

Gallonage projections

The survey showed that a relatively small percentage of total respondents expect their gasoline gallonage to increase in the next few years (see Table 2). Only 17.8% think it will increase this year, while 80.3% expect

Jobbers are heavily involved in convenience store operations and many expect to expand the number of stores they operate. Sales are generally robust and margins, although they've fallen from the C-store boom years, are still good. More than one-third of the respondents say their margins average between 28-31% and about one-fifth report margins of 24-27%.

Table 3—Gallonage Projections-Diesel

1990	Increase	Decrease	Same
All Respondents (256)	27	3	226
(100.0%)	10.5%	1.2%	88.3%
Respondents Doing (Gal./yr.):			
Under 500,000	1.5%	—	98.5%
500,000-749,999	6.9	10.3%	82.8
750,000-999,999	26.7	—	73.3
$1M-$1.24M	23.8	—	76.2
$1.25M-$1.49M	27.3	—	72.7
$1.5M-$1.9M	11.1	—	88.9
$2M-$2.49M	25.0	—	75.0
$2.5M and over	29.2	—	70.8

1991	Increase	Decrease	Same
All Respondents (244)	45	3	196
(100.0%)	18.4%	1.2%	80.3%
Respondents Doing (Gal./yr.):			
Under 500,000	7.1%	—	92.9%
500,000-749,999	16.0	8.0%	76.0
750,000-999,999	33.3	—	66.7
$1M-$1.24M	36.8	—	63.2
$1.25M-$1.49M	30.0	—	70.0
$1.5M-$1.9M	33.3	—	66.7
$2M-$2.49M	37.5	—	62.5
$2.5M and over	41.7	—	58.3

Table 4—Average Gross Profits-1989

Gasoline (Cents/Gal.)	5¢-5.9¢	6¢-9.9¢	10¢-14.9¢	15¢+
All Respondents (239)	52	118	59	10
(100.0%)	21.8%	49.4%	24.7%	4.2%
Respondents Doing (Gal./yr.):				
Under 500,000	19.5%	52.3%	25.0%	3.1%
500,000-749,999	25.9	37.0	22.2	14.8
750,000-999,999	35.7	42.9	14.3	7.1
$1M-$1.24M	30.4	52.2	17.4	—
$1.25M-$1.49M	28.6	14.3	42.9	14.3
$1.5M-$1.9M	44.4	11.1	44.4	—
$2M-$2.49M	—	66.7	33.3	—
$2.5M or more	5.0	75.0	20.0	—

C-Store	1-23%	24-27%	28-31%	32-34%	35-40%
All Respondents (145)	28	29	51	17	20
(100.0%)	19.3%	20.0%	35.2%	11.7%	13.8%
Respondents Doing (Gal./yr.):					
Under 500,000	23.0%	19.7%	37.7%	6.6%	13.1%
500,000-749,999	25.0	15.0	30.0	10.0	20.0
750,000-999,999	12.5	—	37.5	37.5	12.5
$1M-$1.24M	16.7	11.1	44.4	11.1	16.7
$1.25M-$1.49M	16.7	50.0	33.3	—	—
$1.5M-$1.9M	14.3	14.3	57.1	14.3	—
$2M-$2.49M	16.7	33.3	16.7	—	33.3
$2.5M or more	11.1	27.8	22.2	27.8	11.1

it to stay about the same and 1.9% think it will increase. They're a little more optimistic about 1991: 34.7% expect gasoline gallonage to increase, 63.3% expect it to stay the same and 2.0% think it will decrease.

Expectations were different for diesel sales. Of the total respondents, 10.5% expect 1990 (see Table 3) diesel gallonage to increase, 88.3% think it will stay about the same and 1.2% expect it to decline. For 1991, 18.4% think gallonage will increase, 80.3% expect it to stay the same and 1.2% see it decreasing.

Among just the smaller jobbers, 500,000 gal./yr. or less, 93.5% think their gasoline gallonage will stay the same this year, 6.5% see it increasing and none expect it to decrease. Expanding this to jobbers doing less than 1-million gal/yr. (which, of course, includes the above group), about 87% of those who responded to this question expect their gasoline gallonage to stay the same in 1990 and about 11% say it will increase; only a few expect a decrease.

Considering the doom and gloom predicted for the little guys, the fact that such a large percentage expected their gallonage to remain the same might be interpreted to reflect a ray of hope.

For 1991, about one-fourth of small jobbers predict an increase in gasoline gallonage and all but a small percentage of the rest expect it to stay about the same.

Diesel gallonage expectations among these small jobbers: almost 94% expect gallonage to remain the same this year and about 4.5% expect it to increase, with the remainder expecting a decrease. For 1991, about 88% think gallonage will be the same, 11% expect an increase and the rest think it will decrease.

Margins still thin

The survey, however, indicates that on average the small jobber or C-store operator in 1989 didn't fare much better than large ones on gasoline margins (see Table 4).

Of those selling under 1-million gal./mo., 21.9% say their 1989 margins averaged from 5¢ to 5.9¢/gal. By comparison, 20.6% of those doing in excess of 1-million gal. put their margin averages in this range.

Some 49.1% of those in the less than 1-million gal./yr. group say their last year's margins averaged from 6¢ to 9.9¢/gal., while 51.5% of those selling over 1-million gal. say they did this well.

There were a few distributors, both small and large, who report to have had the kind of margins most marketers just dream about.

A total of 23.6% of the under 1-million gal. jobbers and store operators say their

Table 5—Number of Convenience Stores Operated - 1989

	Number of Stores			
	1	2-3	4-9	10+
All Respondents (154)	40	38	43	33
(100.0%)	26.0%	24.7%	27.9%	21.4%
Respondents Doing (Gal./yr.):				
Under 500,000	46.0%	34.9%	19.0%	—
500,000-749,999	18.2	27.3	50.0	4.5%
750,000-999,999	33.3	11.1	22.2	33.3
$1M-$1.24M	10.5	21.1	57.9	10.5
$1.25M-$1.49M	14.3	42.9	28.6	14.3
$1.5M-$1.9M	12.5	12.5	12.5	62.5
$2M-$2.49M	—	14.3	28.6	57.1
$2.5M and over	—	—	5.6	94.4

1989 margins ranged from 10¢ to 14.9¢/gal. Another 5.3%, claim average margins of 15¢/gal. or greater. By comparison, 26.5% of the over 1-million gal. marketers say they averaged from 10¢ to 14.9¢/gal. margins. And, believe it or not, one reporting gallonage in the 1.25-million to 1.49-million gal. range claims he averaged 15¢/gal. or greater last year. This would have put this particular distributor's gross margin income ranging between $187,500 and $223,500 a month.

Full-line distributors

Of 267 respondents, most indicate they are full-line distributors, with virtually all selling gasoline and all but 17 selling diesel fuel.

Although some of the data in this section of the survey (which concentrated on the types of products handled by respondents) appeared generally acceptable, some of the results were among those considered questionable. As noted earlier, an abnormally high number (64%) of jobber respondents say they sell heating oil.

In addition, some of the respondents who classified themselves as convenience store operators say they distribute distillates. One possible reason for this surprising result is that some jobbers who are heavily committed to convenience stores identified themselves on the questionnaire as C-store operators instead of as jobbers, which are far more likely to be handling distillates.

This same reasoning would also explain why, in another area, eight distributors who classified themselves as C-store operators claim they supply from one to four truckstops. It would not, however, account for results (not presented in this article) showing some under 1-million gal./mo. distributors supplying from one to four truckstops. Respondents' definition of truckstops would, of course, vary, explaining the anomaly. But a few respondents with gallonage below 500,000 gal./mo. who say they are supplying from one to four truckstops would have to be supplying some real dogs.

C-store involvement

It's no secret that many jobbers are now heavily involved in convenience stores. The survey shows that about 26% of the 154 respondents to this section operated one store in 1989, 24.7% had two or three stores, 27.9% had four to nine stores and 21.4% had 10 or more stores (see Table 5).

Among just the jobbers in the less than 1-million gal./mo. group, about 38% operate one store, about 30% have two or three stores, 26% have four to nine stores and the rest report having 10 or more stores.

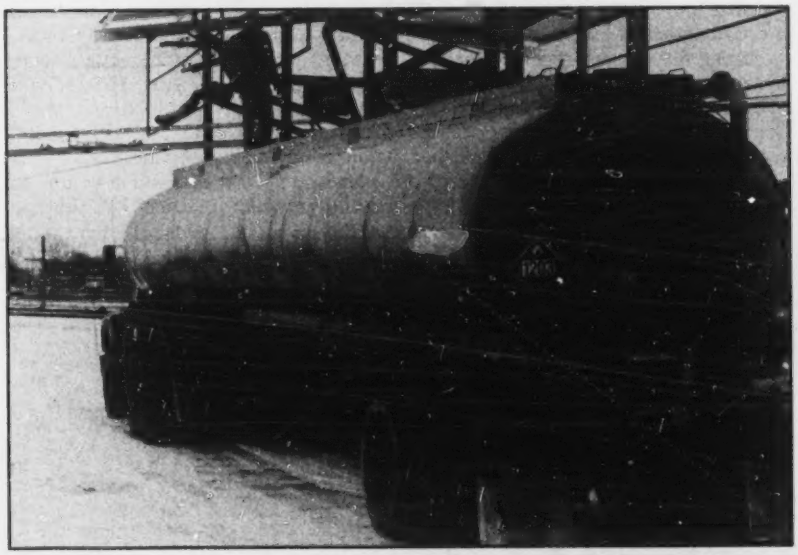
Looking ahead (see Table 6), 52% of all the respondents expect the number of C-stores they operate this year to increase, 30%

NPN Top-Rated By Readers

The independent random survey included a reader opinion poll. The results were quite positive. Nearly 98.7% of the respondents say NPN is "valuable" or "very valuable" to them. Only the remaining 1.3% thought it had little value (Who are those guys?). None of the other seven magazines included in the survey came even close to that value ranking.

Readers found *NPN*'s news, regional columns and green pages of most interest. About 80% say they read the news section with high interest and more than 76% say they read the regional columns with high interest. "Ahead of the News" and the Trends page both fell into the high interest category with more than 85% of the respondents.

Feature articles scored well. Jobber case history articles were read with high interest by nearly 79.4% and marketing/management articles by 81.8%. Features on operations and equipment didn't do as well, although the 68.2% high interest ranking they got is respectable. Most of the back-of-the-book columnists have high interest to roughly 50% or more of our readers.



The survey indicates that a surprisingly large number of marketers own and operate at least some of the trucks they use in their business.

Table 6—Number of C-Store Projections

1990	Expect Increase	Expect Decrease	Expect Same
All Respondents (171)	89	31	51
(100.0%)	52.0%	18.1%	29.8%
Respondents Doing (Gal./yr.):			
Under 500,000	32.4%	17.6%	50.0%
500,000-749,999	38.1	38.1	23.8
750,000-999,999	60.0	40.0	—
$1M-$1.24M	70.0	15.0	15.0
$1.25M-$1.49M	77.8	11.1	11.1
$1.5M-$1.9M	88.9	—	11.1
$2M-$2.49M	71.4	14.3	14.3
$2.5M or more	78.9	5.3	15.8

1991	Expect Increase	Expect Decrease	Expect Same
All Respondents (168)	128	39	1
(100.0%)	76.2%	23.2%	0.6%
Respondents Doing (Gal./yr.):			
Under 500,000	67.6%	32.4%	—
500,000-749,999	86.4	13.6	—
750,000-999,999	60.0	40.0	—
$1M-$1.24M	94.1	5.9	—
$1.25M-$1.49M	77.8	22.2	—
$1.5M-$1.9M	77.8	22.2	—
$2M-$2.49M	75.0	25.0	—
$2.5M and over	88.9	5.6	5.6

expect the number of stores to stay the same and about 18% expect the number to decrease. Expectations for 1991 were a different story: About 76% predict increasing the number of stores, but 23% expect to decrease the number of stores and the remainder expect to remain the same.

Among the less than 1-million gal/mo. jobbers, roughly 36% expect to increase the number of C-stores this year, about 40% say the number will stay the same and the remainder expect to decrease the number. For 1991, about 70% say they will increase the number of stores and the remainder expect to decrease the number.

Overall, sales and margins at C-stores looked reasonably good (see Tables 4 and 7). Of the 158 jobbers and C-store operators responding to the questions about C-store sales, the vast majority (70.3%), say monthly sales total $20,000 or more per month.

Of all respondents, 38.9% expect C-stores sales to increase this year, 58.3 see sales remaining steady and the rest foresee a decrease (see Table 8). For 1991, expectations are pretty evenly split between those who expect higher sales and those who expect sales to remain the same: 48.5% in each group. The remaining 3% expect a decrease.

For jobbers in the under 500,000 gal./mo. group the expectations were about the same as for the total respondents. But for those in the 500,000 to 749,000 gal./mo. category, the differences are notable. A total of 71.4% expect C-store sales to increase this year, 14.3% expect them to stay the same and 14.3% expect them to decrease. Among the 750,000 to 999,999 gal./mo. jobbers, 66.7% expect higher store sales and the rest think sales will remain the same. None expect a decrease.

For 1991, a similar pattern emerges. Some 66.7% of respondents in the 500,000 to 749,000 gal./mo. group say they expect an increase in C-store sales, 16.7% expect sales to decrease and 16.7% expect them to stay the same.

Among those in the 750,000 to 999,999 gal./mo. group, 66.7% expect an increase in 1991 and 33.3 expect sales to stay the same. (The majority of larger jobbers did not respond to this question.)

Margins on these sales appears good (see Table 4). Of the 145 respondents to this question, 19.3% report an average gross profit margin of 1-23%; 20% report average gross margins between 24-27%; 35.2% put it at 28-31%; 11.7% say 32-34%; and 13.8% say 35-40%. Here again, smaller jobbers did pretty well, with margins generally in line with or better than the averages of total respondents.

Truck ownership

Some 84.1% out of 246 respondents to this question say they operate a fleet of trucks (see Table 9).

A surprising result from this part of the survey was the number of small jobbers who say they still operate transport trucks. More than 80% of the smaller jobbers say they do. A big percentage of larger distributors, as might be expected, operate their own fleet.

Since they often service farm and com-

Table 7—Total Monthly C-Store Sales-1989

	Under $4,000	$4,000-$5,999	$6,000-$7,999	$8,000-$9,999	$10,000-$11,999	$12,000-$13,999	$14,000-$15,999	$16,000-$17,999	$18,000-$19,999	$20,000 or more
All Respondents (158)	10	6	2	5	7	3	7	3	4	111
(100.0%)	6.3%	3.8%	1.3%	3.2%	4.4%	1.9%	4.4%	1.9%	2.5%	70.3%
Respondents Doing (Gal./yr.):										
Under 500,000	10.8%	6.2%	1.5%	4.6%	7.7%	1.5%	7.7%	1.5%	3.1%	55.4%
500,000-749,999	9.1	4.5	4.5	9.1	—	4.5	4.5	4.5	4.5	54.5
750,000-999,999	11.1	—	—	—	11.1	—	11.1	11.1	—	55.6
$1M-$1.24M	—	5.3	—	—	—	—	—	—	5.3	89.5
$1.25M-$1.49M	—	—	—	—	—	—	—	—	—	100.0
$1.5M-$1.9M	—	—	—	—	12.5	—	—	—	—	87.5
$2M-$2.49M	—	—	—	—	—	—	—	—	—	100.0
$2.5M or more	—	—	—	—	—	5.0	—	—	—	95.0

mercial customers, the typical small jobber operates two or more "bobtail" or tank delivery trucks. More than half of the respondents selling 500,000 gal. or less gasoline say they operate from two to three such vehicles.

Most of the respondents, 62.4% say they expect the number of trucks they operate to remain the same this year. However, a total of 26.3% say they expect to increase the number and 11.2% will decrease it.

Retail outlets

Many larger jobbers and most majors say that only high-volume (at least 100,000 gal. or more) retail outlets are viable nowadays. A majority of the smaller jobbers indicate they have units that pump such gallonage but some don't (see Table 10).

Out of 77 reporting total gasoline volume of under 500,000 gal./mo., 57.1% say they supply from one to four retail outlets. This would indicate, if most of their gasoline moves through these outlets, that these units average 125,000 gal. or better.

Another 28.6% of the 77 say they supply from five to nine outlets. For one doing 500,000 gal., this would put his per-unit average ranging from 55,556 gal. to 100,000 gal.

Some 7.8% of the 500,000 gal. and under respondents, however, report supplying from 10 to 14 outlets; 5.2% say they supply from 15 to 25; and one respondent from 26 to 40.

Of those who report total gallonage from 500,000 to 749,000 gal., 55.6% claimed to move this volume through from only one to four outlets, indicating some healthy per-unit average volumes.

In the larger distributor class, 23.5% doing in excess of 2.5-million gal./mo. claim they are moving this volume through just one to four outlets. That would put his per-unit volume over 1-million gal., and is another of those questionable areas of the survey.

Table 8—C-Store Sales Volume Projections

1990	Expect Increase	Expect Decrease	Expect Same
All Respondents (36)	14	1	21
(100.0%)	38.9%	2.8%	58.3%
Respondents Doing (Gal./yr.):			
Under 500,000	30.4%	—	69.6%
500,000-749,999	71.4	14.3	14.3
750,000-999,999	66.7	—	33.3
$1M-$1.24M	—	—	100.0
$1.25M-$1.49M	—	—	—
$1.5M-$1.9M	—	—	100.0
$2M-$2.49M	—	—	—
$2.5M or more	—	—	100.0

1991	Expect Increase	Expect Decrease	Expect Same
All Respondents (33)	16	1	16
(100.0%)	48.5%	3.0%	48.5%
Respondents Doing (Gal./yr.):			
Under 500,000	47.6%	—	52.4%
500,000-749,999	66.7	16.7	16.7
750,000-999,999	66.7	—	33.3
$1M-$1.24M	—	—	100.0
$1.25M-$1.49M	—	—	—
$1.5M-$1.9M	—	—	100.0
$2M-$2.49M	—	—	—
$2.5M and over	—	—	100.0

Owner-operated

The small jobber's strength shows up again when it comes to owning or controlling their gasoline retail outlets (see Table 10).

Of those doing under 500,000 gal./mo., 81.8% say they own or control from one to four retail outlets. Another 15.2% say they own or control between five and nine, and 3% in excess of 10 units.

Some sources point to such ownership and/or control as the small distributor's primary strength. Typically, one might be located in a less-competitive market and has his retail outlets paid for. Except, that is, for what he now may have to spend to meet environmental requirements.

Similar patterns develop regarding ownership of truckstops, C-stores selling gasoline and gasoline outlets with car washes.

Pruning time?

Most industry experts are predicting another dramatic shrinkage in the number of retail outlets as the high costs of "cleaning

Table 9—Truck Ownership

Who Owns Trucks	Yes	No
Total Respondents (246)	207	39
(100.0%)	84.1%	15.9%
Respondents Doing:		
Under 500,000	82.8%	17.2%
500,000-749,999	84.6	15.4
750,000-999,999	81.3	18.8
$1M-$1.24M	85.7	14.3
$1.25M-$1.49M	81.8	18.2
$1.5M-$1.9M	80.0	20.0
$2M-$2.49M	100.0	—
$2.5M or more	82.6	17.4

Types of Trucks Operated	Tank Trucks	Light Trucks/ Service Vehicles	Tank Trailers	Truck Tractors
All Respondents (206)	186	161	133	131
(100.0%)	90.3%	78.2%	64.6%	63.6%
Respondents Doing:				
Under 500,000	93.0%	73.0%	48.0%	50.0%
500,000-749,999	90.9	81.8	86.4	81.8
750,000-999,999	92.3	76.9	92.3	84.6
$1M-$1.24M	88.9	77.8	88.9	66.7
$1.25M-$1.49M	100.0	100.0	66.7	55.6
$1.5M-$1.9M	87.5	100.0	100.0	100.0
$2M-$2.49M	77.8	77.8	88.9	88.9
$2.5M or more	78.9	78.9	73.7	84.2

Table 10—Gasoline Outlets - 1989

	1-4	5-9	10-14	15-25	26-40	41-60	61+
	Supplied Number of Outlets						
All Respondents (163)	72	35	18	18	9	5	6
(100.0%)	44.2%	21.5%	11.0%	11.0%	5.5%	3.1%	3.7%
Respondents Doing:							
Under 500,000	57.1%	28.6%	7.8%	5.2%	1.3%	—	—
500,000-749,999	55.6	16.7	11.1	11.1	5.6	—	—
750,000-999,999	25.0	33.3	16.7	16.7	—	8.3	—
$1M-$1.24M	46.7	6.7	13.3	26.7	6.7	—	—
$1.25M-$1.49M	—	12.5	12.5	25.0	37.5	12.5	—
$1.5M-$1.9M	28.6	42.9	28.6	—	—	—	—
$2M-$2.49M	14.3	—	14.3	—	42.9	14.3	14.3
$2.5M or more	23.5	—	11.8	23.5	—	11.8	29.4
	Own or Control Number of Outlets						
All Respondents (131)	83	25	10	6	2	3	2
(100.0%)	63.4%	19.1%	7.6%	4.6%	1.5%	2.3%	1.5%
Respondents Doing:							
Under 500,000	81.8%	15.2%	1.5%	1.5%	—	—	—
500,000-749,999	62.5	12.5	12.5	12.5	—	—	—
750,000-999,999	36.4	36.4	27.3	—	—	—	—
$1M-$1.24M	61.5	23.1	15.4	—	—	—	—
$1.25M-$1.49M	28.6	42.9	—	14.3	14.3	—	—
$1.5M-$1.9M	66.7	33.3	—	—	—	—	—
$2M-$2.49M	20.0	—	20.0	40.0	20.0	—	—
$2.5M or more	35.3	17.6	11.8	5.9	—	17.6	11.8

up" units to comply with environmental regulations impact.

In this survey, however, 44.1% of the respondents say they expect to increase their number of controlled outlets in 1990; 43.3% say they will remain about the same; and only 12.6% anticipate a decrease (see Table 11).

Jobbers in the under 500,000 gal./mo. group are less optimistic, but more (about half) of those doing 500,000 to 999,000 expect to increase their outlets and fewer (about one-third) anticipate having about the same number of outlets.

Looking to 1991, 50.9% say they anticipate increasing their number of outlets while only 7.1% expect to decrease them. The other 42% expect their numbers to remain about the same (see Table 11). Again the 500,000 gal./mo. group was less optimistic than the overall average. More of those doing 500,000 to 999,999 gal/mo. think they will increase the number of controlled outlets and fewer expect the number to stay about the same. But more of the respondents in this category anticipate a decrease in the number of controlled outlets.

This certainly runs counter to most thinking nowadays but perhaps those looking forward to increases consider themselves strong enough to pick up units others have to sell. *NPN*

Table 11—Number of Outlet Projections

	Increase	Decrease	Same
	1990 Number of Outlets		
All Respondents (247)	109	31	107
(100.0%)	44.1%	12.6%	43.3%
Respondents Doing:			
Under 500,000	25.8%	13.3%	60.9%
500,000-749,999	51.9	14.8	33.3
750,000-999,999	50.0	18.8	31.3
$1M-$1.24M	69.6	8.7	21.7
$1.25M-$1.49M	40.0	20.0	40.0
$1.5M-$1.9M	100.0	—	—
$2M-$2.49M	55.6	22.2	22.2
$2.5M or more	81.8	—	18.2
	1991 Number of Outlets		
All Respondents (226)	115	16	95
(100.0%)	50.9%	7.1%	42.0%
Respondents Doing:			
Under 500,000	31.6%	7.7%	60.7%
500,000-749,999	60.0	12.0	28.0
750,000-999,999	57.1	14.3	28.6
$1M-$1.24M	78.9	5.3	15.8
$1.25M-$1.49M	70.0	—	30.0
$1.5M-$1.9M	100.0	—	—
$2M-$2.49M	66.7	11.1	22.2
$2.5M or more	81.8	—	18.2

Why OPEC Seems Destined To Get Stronger And Richer

So long as gasoline and diesel fuel continue to hold forth as the world's prime fuel of mobility, the Organization of Petroleum Exporting Countries (OPEC) seems predestined to grow stronger and richer in the years that lie immediately ahead—almost like a poker player who rarely loses no matter how poorly he plays.

A full-blown cartel of 13 nations, OPEC currently controls three-fourths of the world's liquid oil reserves and about one-third of the world's oil production while virtually all of the other Big Leaguers like the U.S.S.R., the United States, Canada and Mexico are in a declining format.

Just about every forecast in town agrees that OPEC is looking at a very bright future in the late '90s and early 2000s. There seems to be no question that OPEC, whose public image and tactical skills leave much to be desired, will dominate reserves and production indefinitely and, while not being a big wheel in refining now, is aiming to be a big time player in tomorrow's product markets which could be just as bountiful for them as crude oil.

The numbers vary, depending on the root sources, but they agree in substance that by the year 2000 the OPEC states will be accounting for more than half of the world's supply. U.S. dependency on oil imports from all foreign supplies is expected to be in the 65% range. Price forecasts vary too—as high as $50 bbl: for foreign by 2010—but the more likely probability is $25-$30 bbl. Currently they are in the $20 bbl. range, up $6 bbl. from the 1986 shakeout.

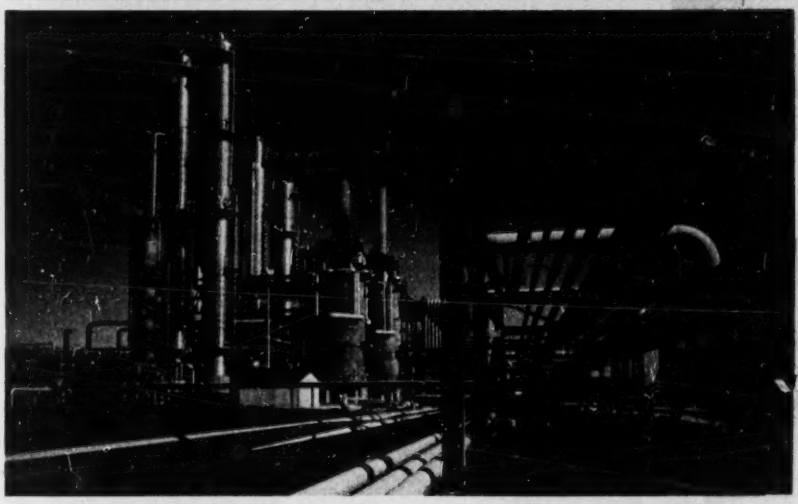
Fly in the ointment

There's a Catch 22 in all this, of course. This sort of unrestrained optimism and happy-happy forecasting implies that petroleum products will continue to be the fuels of mobility into the foreseeable future, just as they have been since the late 1890s.

There are no guarantees that this will happen, however. The oil companies and the car makers are running scared these days for the first time in their lives. The federal government, the environmentalists and the public in general are coalescing their efforts to clean up and preserve the nation's water and land resources, air, woodlands and wildlife, its marine assets and just about everything and anything that needs protection to survive and to guarantee its future.

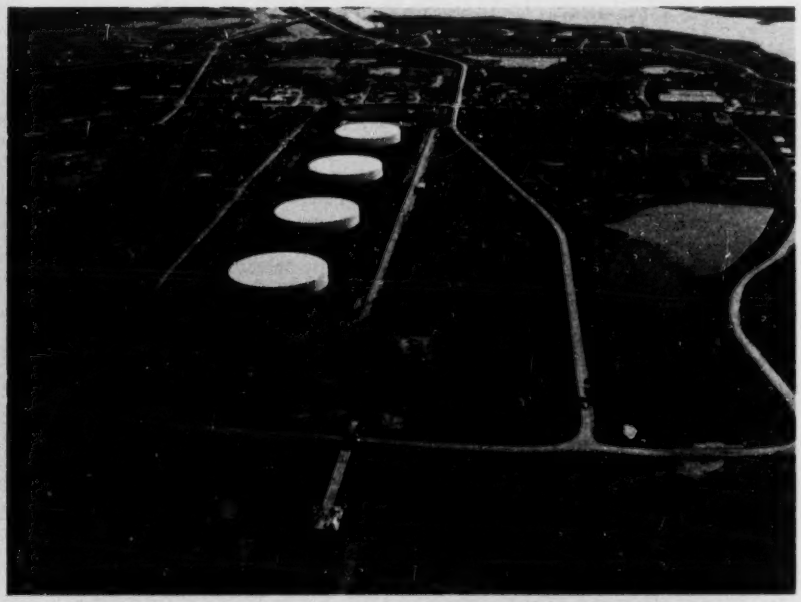
Throughout most of the 20th century, the oil companies tinkered with their gasoline formulas and car makers toyed with engine overhauls and sophisticated electronics, the

Growing demand and falling U.S. production have increased the need for imported crude, strenghtening OPEC's position. By the year 2000 the OPEC states could account for more than half of the world's supply. U.S. dependency on oil imports from all foreign supplies is expected to be in the 65% range. Price forecasts vary—as high as $50 bbl. for foreign by 2010—but the more likely probability is $25-$30 bbl.



Although the OPEC countries are not heavily involved in the refining end of the business at this time, there is little doubt they plan to be a major factor eventually.

By J. Richard Shaner
Executive Editor



To shield the U.S. against the traumas of a sudden shortage or complete cutoff, the Strategic Petroleum Reserve was established. Millions of barrels of foreign crude oil, purchased at reasonable prices, are stored at various sites such as this one in the Southwest. Current reserves are in the area of 580-million bbl. The target, 750-million bbl., is expected to be reached later this decade.

idea being to make both fuels and motors cleaner, unquestionably more powerful and generally more socially acceptable in complementing each other's progress. Substantially, however, there has been no really major changes in engines and gasolines since the 1900s when it all started.

Suddenly, in the late '80s, the apathy of the past was shattered as oil companies and car makers alike realized that for the first time in history their patty cake responses of the past were inadequate and that alternate fuels and new engines were going to happen, like it or not.

The idea of reformulated fuels, methanol straight or laced, cars powered with natural gas and batteries scared the pants off them. There were serious questions about gasoline's future and the need for far-reaching actions to preserve its marketplaces.

President George Bush's call for 1-million new types of cars and fuels in the marketplace by 1995 prompted the creation of a joint oil and car committee that will most likely spend from $15-million to $50-million over the next four to five years to study all sorts of fuel mixtures and vehicles with no holds barred. And perhaps save their hides in the passing.

All this casts a long shadow of sorts over OPEC's future. What good, for example, are billions of barrels of crude oil reserves and production schedules if gasoline and diesel fuel lose their preeminence in the mobility business and distillates and residual wallow in the same despair?

Birthday for OPEC

OPEC will be 30 years old next November. That's a substantial achievement in its own right because the cartel started out in loose-knit fashion in 1960 and has never succeeded in really getting its act together. It lacks unanimity and coherence in what it is trying to do. It is a fractious, contentious confederation whose members often play fast and loose with production allocations, for example, to preserve and protect their own needs.

Twice a year, the OPEC members meet in Rome or Geneva or some other exotic place to discuss and set production quotas that ostensibly would support a desired level of marketplace prices.

As a matter of fact, it doesn't really matter whether these meetings were held or not. Some members, like Iran and Iraq, simply turn their backs on their allocation schedules as soon as they get home again and produce as much as they can sell, generally at discounted prices. Currently, the OPEC members are exceeding their production quotas by 1.5-million to 2-million b/d, even though all signed the basic agreement. These excesses usually have a dampening effect on crude oil and product prices around the world.

Two unplanned incidents gave the OPEC members a hint of the strength they could muster and use—in the early '70s and just about a decade ago. In the '70s, the Arab OPEC members refused to do business with countries that supported Israel. That made a mishmash out of the global market places and caused prices to rise sharply. Again, in the late '70s, when Iran and Iraq went to war, supplies and prices reacted crazily with crude climbing up $35 bbl. to $40 bbl. and almost bankrupting many hard-pressed

U.S. Imports Are Rising Steadily

Last summer, U.S. dependency on oil imports from all countries, not just the OPEC states, broke the 50% barrier for the first time. The expectancy is that by 2000, this reliance figure will have passed 60% and will be still on an upward roll toward 66% in the years that follow. Most of tomorrow's increases will come from OPEC states.

The July import figure was 9.1-million b/d, or 54% of the nation's consumption.

A recent American Petroleum Institute study made this observation:

"Although U.S. oil import dependency is rising steadily, Americans appear relatively unconcerned about their future energy security.

"Apparently Americans believe that cheap oil and easy solutions to the oil import problem are available: a mixture of greater conservation and further development of solar, biomass and other environmentally benign fuels.

"But hard facts show that these 'solutions' are neither cheap nor just around the corner. The coming decade, as a result, is shaping up as a clash between hard facts and false hope.

"The political, economic and social repercussions could be enormous." The study notes.

API President Charles J. Dilloni recently told a Congressional committee:

"A careful look at the facts suggests that even if extremely aggressive conservation policies are adopted, sustained economic growth will require additional energy supply. Further, there are clear limits as to how much aggregate energy consumption can be reduced—unless the nation is willing to have massive government intervention and endure high cost in lost economic growth."

OPEC's Topography, Demographics Fascinating

The membership making up the modern Organization of Petroleum Exporting Countries (OPEC), is about as diverse as any organization could ever want or need. Five of the Arab states are in the Middle East and the other two are in North Africa. Two of the non-Arab states are in South America. The distances between the farthest states are about 10,000 miles. The population densities range from six per square mile (Libya) to 322 per square mile (Nigeria). The countries range in size from 4,000 sq. miles (Qatar) to 918,000 sq. miles (Algeria). Qatar's size is about equivalent to Connecticut, Nigeria is about three Texas'. By way of comparison, the United States has a population of about 250-million and a population density of about 68 per square mile.

Here's a highlight summary of the principal characteristics of all the OPEC nations:

	Geo. Loc.	Acreage (sq.m.) (000)	About Size Of	Population Total (mil.)	About Equal To	Density (sq.m.)
Arab/OPEC						
Saudi Arabia	Mid-East	840	1/3 U.S.	12.7	Fla.	15
Iraq	Mid-East	168	Calif.	17.8	N.Y.	104
Kuwait	Mid-East	7	N.J.	2.0	W.Va.	285
United Arab Em.	Mid-East	32	Maine	1.5	N.M.	45
Libya	N. Afr.	679	Alaska	4.3	Minn.	6
Algeria	N. Afr.	918	3 Texas	25.1	Calif.	27
Qatar	Mid-East	4	Conn.	0.3	Wyo.	80
Non-Arab/OPEC						
Iran	Mid-East	636	Alaska	51.0	2 Calif.	80
Venezuela	S. Amer.	352	2 Calif.	19.2	N.Y.	54
Nigeria	W. Afr.	357	2 Calif.	115.2	4 Calif.	322
Indonesia	SE. Asia	735	Alaska	187.7	6 Calif.	255
Ecuador	S. Amer.	109	Colo.	10.5	Ohio	95
Gabon	E. Afr.	103	Colo.	1.1	Hawaii	11

OPEC Imports: Who Gets And How Much

	Crude Oil	(Add 000 bbl.) Products	Total
PAD 1*	435,747	544,485	980,232
Arab/OPEC	75,701	44,352	120,053
Non-Arab/OPEC	177,905	121,937	299,842
Total OPEC	253,606	166,289	419,895

OPEC share of PAD 1's total imports: 42.8%.
Principal sources of supply: Nigeria, Saudi Arabia, Venezuela and Virgin Islands.
(*) PAD 1 includes Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Delaware, Maryland, West Virginia, North and South Carolina, Georgia and Florida.

PAD 2*	379,592	42,144	421,736
Arab/OPEC	70,642	0	70,642
Non-Arab/OPEC	80,520	49	80,569
Total OPEC	151,162	49	151,211

OPEC's share of PAD 2's total imports: 35.9%.
Principal sources of supply: Canada, Nigeria, Saudi Arabia.
(*) PAD 2 includes North and South Dakota, Nebraska, Kansas, Oklahoma, Minnesota, Iowa, Missouri, Wisconsin, Illinois, Michigan, Indiana, Ohio, Kentucky and Tennessee.

(Chart continued on page 49)

countries in the process. In the U.S. refiner acquisition costs for imported crude peaked at $37 bbl. in 1981. Those were the days of gasoline lines at every station that was open, with motorists willing to pay $1.50 to $2 gal. just to get enough fuel—any kind of fuel—to stay alive. An ironic offshoot of this was that brand names and values lost much of their appeal and allegiance for many motorists.

Hard numbers vary

As might be expected, it's next to impossible to assign hard numbers and values to the reserves and production slates of the OPEC members.

Take Saudi Arabia, for instance. The figures used in the sidebar box entitled "The OPEC: A Baker's Dozen of Oil Exporters" are from federal government manuals and are considered reasonably accurate. A private newsletter with an exceptional reputation for the accuracy of its OPEC and Middle East statistics credits Saudi Arabia with 252-billion bbl. of reserves. That's 82-billion bbl. more than the federal government's estimate of 170-billion bbl. The newsletter says Saudi Arabia has 128 years of output at current rates while the federal government says 90 years is a more likely period.

Similarly, Iran and Iraq only a few years ago were each said to have around 35-billion to 40-billion bbl. of reserves. Now both are credited with 100-billion bbls.

Saudi Arabia's oil minister, Hisham M. Nazer, is one of the many OPEC authorities who look to the future with great optimism.

What's happening, he said in New York recently, is that the international petroleum business is shifting over from a buyer's to a seller's market.

He anticipates a 20% increase in oil demand in the '90s and a 3.2% increase in the world's economic growth.

No crisis: Saudi minister

The Saudi Arabia minister expressed doubt that there would be any kind of an oil crisis in the '90s. At the same time, he was reluctant to make any price projections, saying, "We do not think higher prices will sustain economic growth" and that conversely "lower prices would not maintain the proper stability in the producer countries."

Saudi Arabia, the biggest of the OPEC countries, has already made a deep incursion into gasoline marketing in the U.S. His company now owns 50% of Texaco's marketing and refining network in 23 Eastern states. Venezuela, another OPEC biggie, now owns 100% of Citgo Petroleum which has a refinery in Louisiana and supply contracts

(Continued from page 48)

OPEC Imports: Who Gets And How Much

	Crude Oil	(Add 000bbl.) Products	Total
PAD 3*	1,191,219	176,652	1,367,931
Arab/OPEC	496,581	74,314	570,895
Non-Arab/OPEC	264,123	25,081	289,204
Total OPEC	760,704	99,395	860,099

OPEC's share of PAD's total imports: 62.9%.
Principal sources of supply: Kuwait, Saudi Arabia, Nigeria, Venezuela and Mexico.
(*) PAD 3 includes Alabama, Arkansas, Louisiana, Texas and New Mexico.

PAD 4*	22,161	4,163	26,974
Arab/OPEC	0	0	0
Non-Arab/OPEC	0	0	0
Total OPEC	0	0	0

OPEC's share of PAD's total imports: 0%.
(*) PAD 4 includes Montana, Idaho, Wyoming, Utah and Colorado.

PAD 5*	96,230	27,967	124,197
Arab/OPEC	507	2,065	2,572
Non-Arab/OPEC	43,871	6,585	50,456
Total OPEC	44,378	8,650	53,028

OPEC's share of PAD's total imports: 42.7%.
Principal sources of supply: Indonesia, Canada, Australia and Republic of China.
(*) PAD 5 includes Arizona, Nevada, California, Oregon, Washington, Alaska and Hawaii.

The OPEC: A Baker's Dozen Of Oil Exporters

Country	Crude Oil Reserves (bil. bbls.)	(000 b/d)	Only Production (mil. bbl./yr.)	Years Of Output Based On Current Data
		Arab/OPEC		
Saudi Arabia	170	5,148	1,879	90
Iraq	100	2,822	1,030	97
Kuwait	93	1,802	658	141
United Arab Emirs.	93	1,959	715	130
Libya	22	1,096	400	55
Algeria	8	1,100	402	20
Qatar	3	391	143	21
		Non-Arab/OPEC		
Iran	93	2,883	1,045	89
Venezuela	56	1,883	687	84
Nigeria	16	1,689	616	28
Indonesia	8	1,374	502	16
Ecuador	1	NA	NA	NA
Gabon	0.8	NA	NA	NA
Totals				
Arab/OPEC	489	14,318	5,226	94
Non-Arab/OPEC	177	7,809	2,850	62
Total OPEC	666	22,127	8,075	83

Total World Reserves	907,788 bil. bbls.
Percentage Arab/OPEC	53.8%
Percentage Total OPEC	73.0%
Total World Production	59,537 b/d
Percentage Arab/OPEC	24.0%
Percentage Non-Arab/OPEC	14.0%
Percentage Total OPEC	38.0%

for more than 6,000 outlets.

Where OPEC came from

In the '30s and '40s, American and British oil companies dominated exploration and production in the Middle East and elsewhere, paying the countries in almost sharecropper fashion for the oil that was produced and shipped out to their own refineries.

In the '40s and '50s, most of the countries nationalized their oil properties and literally reversed the process. They became the owners and the oil companies were, in effect, given sharecropper status.

The various nations discovered quickly that they could learn much from each other and so began the loose confederation which eventually led to the birth of the Organization of Petroleum Exporting Countries (OPEC) on Nov. 14, 1960.

In the '60s, bickering, lying and cheating were commonplace within the swaddling OPEC, hampering its ability to achieve growth, stability and recognition.

The '70s and '80s were kind to OPEC members, giving the organization a market wallop and some control over its global production and price schedules despite the nonstop self-indulgences and petty chiseling by various members.

U.S. looks ahead

Meantime, the U.S. Dept. of Energy is slowly insulating the country against the traumas of 1986, when the bottom dropped out of the world marketplaces, international supplies were disrupted and some crude prices declined to $8 bbl.

The U.S. set up its Strategic Petroleum Reserve project in which millions of barrels of foreign crude oil would be purchased at reasonable prices and stored in huge caverns in the Southwest. A month or so ago, the reserves topped 580-million bbl. The target, 750-million bbl., is expected to be reached later this decade. The reserves are not intended as price barriers but as hedges against disruptions as occurred in the early '70s and the worst of the Iraqi-Iran war period of 1978-'81.

As was said at the onset of this article, however, the key to OPEC's future lies not in international politics but in the world's physical requirements for gasoline and diesel oil as the primary fuels of mobility. So long as there is no major change here, i.e., a replacement of gasoline and fuel oil by other nonliquid petroleum products, OPEC's future seems assured as the world's owner and supplier of the stuff that makes the world go, go, go... NPN